



April 6, 2009

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Response to Advance Notice of Proposed Rulemaking (ANPR) for Corporate Credit Unions

Dear Ms. Rupp:

Security Credit Union thanks the NCUA Board for the opportunity to comment on the ANPR for Corporate Credit Unions.

ANPR Questions

The questions in the ANPR are organized into several sections, with multiple topics under some sections. The numbered sections that appear in the ANPR are shown in bold below. Questions on individual topics are summarized in italics. Security Credit Unions response follows each topic.

1. The Role of the Corporate in the Credit Union System

Payment System

Throughout its history, Security Credit Union has used numerous businesses to facilitate settlement, fund transfer activities, as well as payment processing activities. Cencorp provides these services at better pricing and it would be significantly more expensive for Security Credit Union to contract with a bank or other service provider.

The separation of payment systems from funds management services is not practical and will increase costs to the natural person credit unions.

Liquidity and Liquidity Management

Liquidity is a necessary core service of corporates. NCUA regulation/examination guidelines should ensure adequate liquidity is available.

Field of Membership Issues

National fields of membership for corporates should be allowed for competitive and innovative purposes. The NCUA thru regular and special examinations/reviews should be able to determine if corporates are not properly managing risks. National fields of membership must continue to be allowed. The basic fundamentals and principles of business still apply.

Expanded Investment Authority

Security Credit Union does not believe that the additional returns available are enough to justify the additional risks assumed. We believe that regulations and the examination process as a whole should determine if investment authority and practices of a corporate credit union are appropriate.

Structure: Two-tiered System

In order to take advantage of the investment markets where our corporate credit unions typically operate; it seems to make sense to allow the pooling of funds in order to maximize returns. The margins a corporate credit union operates on are small and the pooling of resources is a way that corporate credit unions can take advantage of economies of scale. In turn, this should increase yields, thereby reducing the fees and charges to their member credit unions. We believe that revised capital guidelines are needed and we will discuss that further in #2.

2. Corporate Capital

Core Capital

The paid in capital and retained earnings of corporate credit unions should be maintained at a 4% minimum capital requirement. Those not meeting that requirement should be subject to PCA requirements until they meet the desired level of capital.

Membership Capital

If the minimum capital requirements are adopted, the adjustment of member capital balances should not be a major concern. We believe an adjustment (annually) based on a formula using a member's average deposit balance at a Corporate is adequate. Assuming a Corporate meets its minimum capital requirements, we don't believe delayed payout of capital is warranted. Withdrawals should be restricted if a Corporate falls below its minimum capital requirements.

Risk-based Capital and Contributed Capital Requirements

We believe risk based capital is appropriate. Contributed capital should not be a regulated or mandated requirement; it should be a service pricing issue.

3. Permissible Investments

Security Credit Union believes that regulations and the examination process as a whole should determine if investment authority and practices of a corporate credit union are appropriate.

4. Credit Risk Management

Corporate credit unions should use all the tools at their disposal to analyze both pre and post investment purchases. If variances exist, perhaps independent valuations should be used. We believe the concept of NRSPO requirements has value and should stay in place at this time.

5. Asset Liability Management

Net interest income modeling and stress testing is appropriate for corporates with expanded investment authorities. We believe this should be evaluated at least during the examination process for those corporates, if not monitored more frequently.

6. Corporate Governance

Security Credit Union believes that members of the corporate should determine the individuals to fill director positions. We believe that the board terms should be limited (3-5 years) and that there should be entry level qualifications and continuing education requirements for serving on the board.

Security Credit Union views executive compensation as an employment issue between the board and management of the corporate and as such we do not feel a change is needed. The governance model at US Central has a provision that restricts most director positions to individuals from corporate credit unions. Security Credit Union believes that we would be better served by removing this restriction and having directors determined at large: by both their corporate members, as well as, having a select number of seats for natural person credit unions. Security Credit Union is not convinced that having "outside directors" would provide value to the governance of the corporate system.

In closing, we would like you to know we appreciate the opportunity to comment on the future of the Corporate Credit Union system. The changes being considered are monumental and will change the way natural person credit unions conduct their day to day operations. All of the factors and events need to be considered when making these decisions and planning the future of the corporate network.

Again, I want to thank you for the opportunity to comment. If you have any questions regarding the comments above, please contact me at 810-235-2322 x1123 or at garvint@securitycu.org.

Respectfully Submitted,



Troy L. Garvin
EVP/CFO